

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1854-01  
Bill No.: SB 383  
Subject: Taxation and Revenue - Sales and Use; Revenue Dept.  
Type: Original  
Date: March 22, 2011

---

Bill Summary: Would expand eligibility provisions of law authorizing a sales and use tax exemption for manufacturing.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	(Unknown)	(Unknown)	(Unknown)

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Department of Agriculture** assume this proposal would have no fiscal impact to their organization.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

This proposal would expand the manufacturing exemption to include all testing, installing, calibrating, maintaining, repairing, restoring, and all other essential activities. BAP does not have the data to estimate the potential loss of revenue from this proposal, but assumes it could be substantial. This proposal would reduce General and Total State Revenues including education funding, as well as local revenues.

Officials from the **Department of Economic Development** (DED) assume this proposal would expand the eligibility for a sales and use tax exemption for manufacturing. The Division of Business and Community Services issues sales tax exemptions to companies for which Chapter 100 Bonds have been issued. DED officials assume there would be no need for additional FTE as a result of this proposal; however, if it is determined that additional FTE are needed to administer the proposal, DED will request the FTE through the budget process.

DED officials were unable to determine the exact impact the proposed legislation would have on total state revenue and therefore assume there would be an unknown negative impact in excess of \$100,000 to total state revenues.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would have no fiscal impact on their organization.

DOR officials stated that this proposal could reduce total state revenue by expanding the current sales tax exemption for "manufacturing, processing, compounding, mining, or producing" to specifically include "all testing, installing, calibrating, maintaining, repairing, restoring, and all other activities essential to manufacturing, processing, compounding, mining, or producing". The proposal also includes a statement that the additional language "is intended to clarify the exemptions from sales and use tax as originally enacted."

The extent of the reduction of total state revenue would depend on factors including the extent to which the clarification provision would trigger refund requests and how much revenue would be foregone due to the exemption of testing, installing, calibrating, maintaining, repairing, restoring, and all other activities essential to manufacturing, processing, compounding, mining, or producing.

DOR officials assume the reduction in total state revenue could be at least \$10,000,000 over the next three years.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would authorize a state and local sales and use tax exemption for testing, installing, calibrating, maintaining, repairing, restoring, and all other activities essential to manufacturing, processing, compounding, mining, or producing.

DNR officials stated that their Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, any additional sales and use tax exemption would be a loss to the Parks and Soils Sales Tax Funds.

**Oversight** assumes this proposal would reduce sales tax revenues but is not able to determine the extent to which additional retail sales would be exempted by this proposal. Accordingly, Oversight will indicate an unknown reduction of revenue for the state General Revenue Fund, for those other state funds which receive sales tax revenues, and for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>PARKS, AND SOIL AND WATER FUNDS</b>			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses engaged in manufacturing, processing, compounding, mining, or producing.

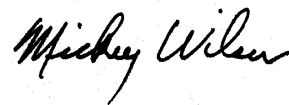
FISCAL DESCRIPTION

This proposal would provide a sales tax exemption for certain activities related to manufacturing.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration  
Division of Budget and Planning  
Department of Agriculture  
Department of Economic Development  
Department of Natural Resources  
Department of Revenue



Mickey Wilson, CPA

L.R. No. 1854-01  
Bill No. SB 383  
Page 7 of 7  
March 22, 2011

Director  
March 22, 2011

SS:LR:OD (12/02)